



IDAHO

DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

January 11, 2017

Re: Idaho Money Transmitter Licensing Law Inquiry

Dear _____:

The State of Idaho Department of Finance (Department) is in receipt of your letter dated September 28, 2016 where you are representing a "Client" and request guidance and confirmation on the business model of the Client with respect to compliance with the State of Idaho's Money Transmitters Act ("the Act"). The Department apologizes for the delay in providing you a response.

As you explain in your letter, your Client is a privately-owned Delaware corporation with an office in Sioux Falls, SD that provides services under contracts with two foreign companies (the Foreign Entities"), one based in Europe and the other in Asia. These two Foreign Entities market to military personnel with the goal to assist such persons in paying rent, utilities and other overseas bills from their U.S. bank accounts.

The Department's understanding of your Client's business model is that after a soldier enrolls with the Foreign Entity your client will debit the soldier's U.S bank account via ACH. Your client will then convert the funds to the applicable foreign currency and the funds are then used by the Foreign Entity to pay the soldier's local bills.

While your client will be providing money transmitting service, our understanding is that no Idaho entity will be a party to the above described transaction. As such the Department has determined that an Idaho Money Transmitter license is not required.¹

Should your business plan deviate from the facts outlined in the correspondence, it is possible that the Department would take a different position than the one noted in this letter.

¹ This decision is based solely on the unique circumstances of the activity described and is not intended to service as precedent for any other money transmitter or applicant. This letter should not be construed as a finding that licensure is not required in other jurisdictions where other users may reside.

SECURITIES BUREAU

800 Park Boulevard, Suite 200, Boise, ID 83712

Mail To: P.O. Box 83720, Boise ID 83720-0031

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<http://finance.idaho.gov>

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If you should have questions, please feel free to contact me at 208-332-8045, or email at jeff.flora@finance.idaho.gov

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Flora", written in a cursive style.

Jeff Flora
Examiner/Investigator
Idaho Department of Finance

September 28, 2016

Via E-mail to finance@finance.idaho.gov

Mr. Norman Real
800 Park Blvd., Suite 200
Boise, ID 83712

Re: Money Transmitter Licensing Law Inquiry

Dear Mr. Real:

I am writing on behalf of a client ("Client") regarding the status of a business model (as outlined below) under the Idaho money transmitter licensing laws. We have reviewed Client's business structure, and we believe that it does not require licensing under current Idaho law for at least the following reasons: Client does not market or advertise its services to Idaho residents, and the services are only offered to, and are only accessible by, U.S. soldiers residing in foreign countries. As a result, none of the Client's customers are residents of Idaho, and all parties to the transaction are located outside of the state of Idaho. However, we recognize that there are sometimes differences in interpretation and therefore seek your guidance and confirmation.

Client is a privately-owned Delaware corporation with its sole offices located in Sioux Falls, SD. Client provides services under contracts with two foreign companies.¹ These two foreign companies (the "Foreign Entities") market services to military personnel based overseas with a goal to assist such persons in paying their rent, utilities, and other payments from their U.S. bank accounts. One Foreign Entity focuses on Europe, and the other focuses on Asia. The services offered by the Foreign Entities make it easier and cheaper for U.S. servicemen and servicewomen to use their U.S. bank accounts to pay their overseas bills. The service is only

¹ One foreign company is a German entity based in Europe and the second foreign company is a Japanese entity based in Japan and Korea. These two companies are separate from Client and are not subsidiaries of Client, but there is some overlapping board membership and ownership between the Client and the two Foreign Entities.

offered outside the United States to U.S. military personnel stationed overseas.² It is neither advertised nor made available to persons residing in Idaho.

While the Foreign Entities market payment services to military personnel in Europe and Asia, Client only provides administrative and payment facilitation support to the Foreign Entities and does not offer, market, or sell the services to, nor does it interact directly with, any consumer.

This is how the service works. The soldier learns about the bill pay service offered by the Foreign Entities from local advertising while residing in Europe or Asia. To enroll in the program, the soldier visits the local office and signs a contract with the applicable Foreign Entity authorizing that Foreign Entity to arrange for the payment of bills to his or her local vendor(s) by withdrawing the appropriate amounts from the soldier's U.S. bank accounts. Pursuant to these instructions, Client debits the soldier's U.S. bank account via ACH as directed by the Foreign Entity. The funds are then converted to the applicable foreign currency by Client's bank, and deposited by Client's bank in: (i) a bank account in London for payments in Europe; or (ii) a bank account in Japan for payments in Asia. Once deposited abroad, the funds are used by the Foreign Entities to pay the soldier's local bills.

Consistent with well-established principles of state regulatory authority, we believe that the Department only regulates entities operating within the state of Idaho, or those offering or providing services to residents of Idaho. Client and the Foreign Entities do not market goods or services, via the Internet or otherwise, to Idaho residents. The Foreign Entities only market their services to, and receive money for their services from, military personnel residing in Europe and Asia, so there is not even an occasional sale to Idaho residents. Only persons residing abroad may obtain the services. Client's role is limited to receiving instructions from the Foreign Entities and providing those instructions to its bank in order to initiate the movement of funds.

To conclude, when reviewing all of the facts, we believe that Client should not require licensing as a "money transmitter" in Idaho. As described above, all parties to the transaction are located outside of the state of Idaho and, therefore, the transaction cannot be said to occur in Idaho. Given the foregoing, we hope you agree (as other states have) that Client's current business model does not require licensing. However, if you disagree, or require further information, please let me know.

² Interestingly enough, such commonplace transactions can be very difficult and costly for overseas military personnel to handle.

Mr. Norman Real
September 28, 2016
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Thank you for your consideration.

Sincerely,